



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

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STATE TREASURER

TO: Participating Schools and Lenders

FROM: Diane Todd Sprague, Director 

DATE: July 20, 2006

SUBJECT: Educational Loan Notes

CONSTITUTION DAY

Most Americans know that July 4th is our nation's birthday. Far fewer Americans know that September 17th is the birth date of our government. On that date in 1787 delegates to the Philadelphia Convention completed and signed the U.S. Constitution.

The values on which America was founded – commitments to the rule of law, limited government, and the ideals of liberty, equality, and justice – are embodied in the Constitution, the oldest written constitution of any nation. Constitution Day is intended to celebrate not only the birthday of our government, but the ideals that make us Americans.

Senator Robert Byrd of West Virginia accomplished a longstanding goal by passing a law designating September 17th as **Constitution Day**. This year marks the second observation of Constitution Day, when all educational institutions receiving federal funding are *required* to hold educational programs on the United States Constitution.

To assist you in planning your activities, the following list of ideas were used by educational institutions last year:

- A professor who teaches a class on the Constitution each semester held a class in the auditorium the Friday before September 17. The college invited anybody who was interested to attend the class that day. He focused on the history and ratification process of the Constitution.
- An art college's Student Activities Office arranged for a guest lecturer – an historian specializing in the Constitution. After the lecture there was an open forum where students, faculty, and staff discussed how the Constitution relates to their careers as artists.
- A school held a lunch-time seminar and their Political Science instructor talked about the Constitution.

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- A seminary graduate school held a chapel service on the Constitution and religious freedom.
- A college arranged for an attorney specializing in constitutional law to give a presentation on the First Amendment.
- An institution planned a two-hour convocation presenting information about the Constitution.
- A school included the 'Constitution Day' requirement as part of a fall picnic for students.

The National Archives has a Web site with information regarding the U.S. Constitution including a scan of the Constitution at: http://www.archives.gov/national_archives_experience/charters/constitution.html.

NEW TEACHER LOAN FORGIVENESS FORMS NOW AVAILABLE

The U.S. Department of Education (ED) announced in Dear Colleague Letter (DCL) [GEN-06-13](#) approval of revised Teacher Loan Forgiveness Application and Teacher Loan Forgiveness Forbearance Forms. These forms were revised to reflect changes made by the Higher Education Reconciliation Act of 2005 (HERA). Specifically, the HERA added a provision that defines "highly qualified" for nonprofit private elementary and secondary school teachers. In addition, the HERA extended the increased amount for the teacher loan forgiveness program beyond October 1, 2005. A note has been added to reflect that elementary and secondary schools that are operated by the Bureau of Indian Affairs are considered low income schools for the purpose of teacher loan forgiveness.

The Teacher Loan Forgiveness Application is used to evaluate a Federal Family Education Loan Program (FFELP) or a Federal Direct Loan Program (FDLP) borrower's eligibility for up to \$5,000 in forgiveness benefits for highly qualified teachers or up to \$17,500 for highly qualified mathematics, science, and special education teachers. The Teacher Loan Forgiveness Forbearance Form is used to determine forbearance eligibility for FFELP or FDLP

borrowers who are completing their teaching service requirements before applying for teacher loan forgiveness.

[The Teacher Loan Forgiveness Application](#) form may be used by:

- Teachers who started their qualified teaching service **before** October 30, 2004. These teachers may receive up to \$5,000 in loan forgiveness for service as a full-time elementary school teacher who demonstrates knowledge and teaching skills in reading, writing, mathematics, and other areas of the elementary school curriculum or for service as a full-time secondary school teacher teaching in a subject area that is relevant to their academic major.
- Teachers who started their qualified teaching service **on or after** October 30, 2004. These teachers may receive up to \$5,000 in loan forgiveness for service as a highly qualified (as defined in the application), full-time elementary or secondary school teacher or up to \$17,500 in loan forgiveness for service as a highly qualified (as defined in the application), full-time mathematics or science teacher in an eligible secondary school or for service as a highly qualified special education teacher.
- Certain teachers who have received teacher loan forgiveness under the previous provisions of the law. These teachers may receive loan forgiveness up to the difference between \$17,500 and the amount that had previously been forgiven only if the borrower is otherwise eligible and has five complete, consecutive years of qualified teaching service that meet the definition of a highly qualified full-time mathematics or science teacher in an eligible secondary school or a highly qualified special education teacher.

The [Teacher Loan Forgiveness Forbearance Form](#) reflects the requirements pertaining to granting forbearance to an eligible borrower who will be performing qualified teaching service and whose loan forgiveness benefit, up to \$5,000 or up to \$17,500, as applicable, will not satisfy the anticipated outstanding balance at the end of the borrower's fifth year of qualifying teaching service.

(Continued on the next page.)

The updated forms are available for immediate use from MGA's Web site at mgaloan.com by clicking on the above links or by accessing "Forms and Documents" under the Financial Aid Professionals heading on the home page. Program participants may begin distributing the revised forms immediately. **Beginning December 16, 2006, only the updated application and forbearance forms may be provided to borrowers.** Note that the expiration date remains November 30, 2007.

For questions regarding Teacher Loan Forgiveness, please contact Beverly Bristol at 1-800-642-5626, extension 60630, or via email at bristolb@michigan.gov.

UPDATED CHARTS

Attached to this issue of *Educational Loan Notes* are new versions of the "[Estimated Monthly Repayment Schedule](#)" for both undergraduates and graduates, and the "[Estimated Monthly In-School Interest Payment](#)" charts that have been updated to reflect the current interest rates. You may make copies of these charts for your borrowers, or they are available from MGA in quantity (black and white) by contacting the School Services Unit at extension 30674.

NEW INTEREST RATES SUPPLEMENT

[Attached](#) to this issue of *Educational Loan Notes* is a chart that includes the new interest rates for PLUS and SLS loans that are indexed to the one-year constant maturity Treasury yield. Existing PLUS and SLS loans made prior to July 1, 1998, and that are at a variable rate, are calculated from the weekly average of the one-year constant maturity Treasury yield for the last calendar week ending on or before June 26 of each year. The weekly average of the one-year constant maturity Treasury yield for the last calendar week ending on or before June 26, 2006, is **5.24** percent.

Lenders and lender servicers are reminded not only to use the new rates for loans originated on or after July 1, 2006, but also to update all existing Stafford, PLUS, and SLS variable rate loans to the new rates that became effective on July 1, 2006. If you have any questions regarding the rates, please contact Betty Calloway at extension 39639 or via email at callowayb@michigan.gov.

NEW BUILDING NAME

The Treasury Building, which houses MGA's downtown offices, officially has been renamed the Richard H. Austin Building to honor Michigan's longest serving Secretary of State. Mr. Austin's office was housed in the Treasury Building during much of his long tenure which ran from 1971 to 1994.

Due to the name change it is necessary for those sending overnight mail or packages directly to MGA's downtown location to update the address to reflect the new building name. Mail coming directly to the downtown offices should be addressed to a specific staff person and sent to:

Michigan Guaranty Agency
Richard H. Austin Building, 3rd Floor
430 West Allegan
Lansing, MI 48922

Mail requiring normal handling should continue to be sent to:

Michigan Guaranty Agency
P.O. Box 30047
Lansing, MI 48909-7547

ANOTHER EXTENSION OF THE HIGHER EDUCATION ACT

President Bush has signed into law a bill that extends until September 30, 2006, programs authorized under the Higher Education Act (HEA) not already reauthorized under the HERA. A previous extension of the HEA was due to expire June 30, 2006. The U.S. House on March 30, 2006, passed the College Access and Opportunity Act to reauthorize the remaining provisions of the HEA, but there has been no action in the U.S. Senate.

CORRECTION

Last month's attachment to *Educational Loan Notes* regarding program changes instituted by the HERA incorrectly stated that as of July 1, 2006, schools as lenders must have a cohort default rate no greater than 15 percent. The correct cohort default rate for schools as lenders must be not greater than 10 percent.

SPECIAL ALLOWANCE RATES

The new special allowance rates have been released by the Office of Federal Student Aid. The average of the bond equivalent rates of the 91-day Treasury bills auctioned during the quarter ending June 30, 2006, is **4.83** percent. Also, the average of the bond equivalent rates of the quotes of the three-month commercial paper (financial) rates in effect for each of the days in the quarter ending June 30, 2006, is **5.22** percent.

[Attached](#) to this issue of *Educational Loan Notes* are special allowance charts with rates based on the 91-day Treasury bill average and the three-month commercial paper average for the quarter ending June 30, 2006.

If you have any questions regarding the special allowance rates, please contact Betty Calloway at extension 39639 or via email at callowayb@michigan.gov.

CONSOLIDATION LOAN PROGRAM CHANGES

ED has published DCL [GEN-06-12](#) which discusses changes to the HEA that result from the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006 (the Appropriations Act) recently signed into law by President Bush. The Appropriations Act makes the following significant changes that affect FFELP loan consolidations.

Repeal of the Single Holder Rule

The single holder rule [section 428C(b)(1)(A)(i) of the HEA] has been repealed for any federal Consolidation loan made based on an application received by an eligible lender on or after June 15, 2006. This means that an eligible borrower may consolidate loans with any eligible FFELP consolidation lender even if the borrower's loans are held by only one FFELP holder.

Consolidation of Defaulted FFELP Loans into the Federal Direct Loan Program

The Appropriations Act repealed changes made earlier this year by the HERA to section 428C(b)(5) of the HEA (Pub. L. 109-171). These changes were scheduled to take effect on July 1, 2006, and would have limited the circumstances in which a FFELP borrower

without any FDLP loans could consolidate his/her FFELP loans into a Federal Direct Consolidation loan.

The Appropriations Act eliminates these restrictions and restores the statutory provision that was in place prior to the enactment of Pub.L. 109-171. As a result, a FFELP Stafford or PLUS loan borrower continues to be eligible to apply for a Federal Direct Consolidation loan if the borrower is unable to obtain a FFELP Consolidation loan or is unable to obtain one with income-sensitive repayment terms that are acceptable to the borrower.

A copy of the DCL may be obtained from ED at www.ifap.ed.gov. If you have questions regarding these program changes, please contact Betty Calloway at extension 39639 or via email at callowayb@michigan.gov.

NEW ADDENDUM FOR FEDERAL CONSOLIDATION LOAN PROGRAM APPLICATION AND PROMISSORY NOTE

ED has announced the approval of a revised Addendum for the Federal Consolidation Loan Program Application and Promissory Note resulting from the enactment of the Emergency Supplemental Appropriations Act.

The addendum explains the changes to the terms and conditions of Federal Consolidation loans made in the FFELP program as a result of the Supplemental Appropriations Act. The addendum also includes a revision to the explanation of the new identity theft discharge to clarify that only the portion of a Consolidation loan attributable to eligible underlying FFELP loans may be discharged under this provision. The changes on the addendum are effective for all FFELP Consolidation Loan Applications received on or after June 15, 2006, and FFELP program participants should begin providing the revised addendum to all borrowers who apply for Federal Consolidation loans on or after June 15, 2006.

A copy of the revised addendum and information regarding implementation are published in DCL [FP-06-12](#) at www.ifap.ed.gov. If you have questions regarding this matter please contact Betty Calloway at extension 39639, or via email at callowayb@michigan.gov.

THE “ED” PIPELINE

Following is a description and link to some of the most recent ED correspondence for schools and lenders.

Dear Partner

June 2006

GEN-06-10

This letter and its attachment provide guidance on changes made to the Higher Education Act by the HERA related to estimated financial assistance, cost of attendance, expected family contribution calculations, and student eligibility for the 2006-2007 award year.

Dear Partner

June 2006

GEN-06-11

This letter notifies foreign schools of changes made to FFELP by the HERA and provides information on foreign school reporting requirements.

Dear Partner

June 2006

FP-06-11

GEN-06-12

These letters discuss changes made to FFELP and FDLF by the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006.

Dear Partner

July 2006

FP-06-12

This letter discusses changes made to the FFELP and Direct Consolidation Loan Programs by the Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Hurricane Recovery, 2006.

Dear Partner

July 2006

GEN-06-13

FP-06-13

These letters announce the approval of the revised Teacher Loan Forgiveness Application and Teacher Loan Forgiveness Forbearance Form for FFELP and FDLF.

LENDER LIST UPDATES

School personnel continuing to use their paper copy of MGA’s “Participating Lender List” should record the following actions on the list dated May 12, 2006. Please make the appropriate changes in all sections of the list as needed.

To access the most current lender information and eliminate the need for manual updates, use the electronic version of MGA’s “Participating Lender List” available at mgaloan.com. Select “Financial Aid Professionals,” and then “FAA Resources.” If you have any questions regarding these updates, please contact Pat Fromm at extension 36076 or via email at frommp@michigan.gov.

Name Change

College Credit Trust, 830310, has changed its name to College Board.

No Longer Participating

National City Bank, Michigan-Illinois, 805943, is no longer participating in FFELP with the Michigan Guaranty Agency.

SCHOOL LIST UPDATES

The new “Active Michigan School List” will be mailed the last week of July. You may obtain additional copies of MGA’s school list by completing the *Request for MGA “In-House” Supplies* order form on our Web site at mgaloan.com. Once at the Web site, click on “Ordering Supplies” under the Financial Aid Professionals heading or you may contact our mail room at extension 60607. If you have any questions, please contact Stacy Cardwell at extension 36074, or via email at cardwells@michigan.gov.

Name Change

Center for Humanistic Studies, Farmington Hills, 021989-00, is now Michigan School of Professional Psychology.

“Q” AND “A”
CREDIT BALANCES

What determines a credit balance on a student’s account?

A credit balance occurs when a school credits Federal Student Aid program funds to a student’s account and those funds are greater than the allowable charges for that student.

May an institution apply PLUS loan funds to a student’s account first to eliminate or at least reduce the opportunity for PLUS loan funds to create a credit balance? Or is there a requirement for Pell or Stafford funds to be used first?

The school has the freedom to determine which FSA program funds create a credit balance. The U.S. Department of Education (ED) does not require which particular funds must be used first, with the exception of Direct Loan funds. Direct Loan funds must be applied to unpaid school charges before they can be applied to other charges or disbursed to the student.

If a credit balance exists due to a PLUS loan, what are the stipulations regarding payment of the credit balance?

Excess PLUS loan funds must be returned to the parent borrower, unless the parent has written to the school requesting to transfer any excess funds to the student directly or to a bank account for the student.

How much time does an institution have to make payment to the borrower on a credit balance?

Payment of a credit balance must be made directly to the student or parent as soon as possible. When a credit balance occurs before or on the first day of class, the funds need to be paid to the borrower within 14 days of the first day of class of a payment period. If the credit balance occurred after the first day of class, the funds should be paid out no later than 14 days after the credit balance occurred on the student’s account.

What can the school do with credit balances?

For active students who have a credit balance or withdrawn students with a credit balance, the school may apply the excess funds to any remaining institutional charges that exist for tuition, fees, and on-campus room and board. If there are any excess PLUS loan funds when a student withdraws from attendance, any funds that create a credit balance must be offered to the parent borrower.

If a student withdraws from attendance at school, what happens with excess FSA funds?

When a student withdraws or drops below half-time, the school must determine exactly the amount of aid earned by the student. If through the Return of Title IV process it is discovered that a student is eligible for more funds than were disbursed, a credit balance may result on the student’s account.

If a school does not have authorization from the student prior to the student’s withdrawal and does not obtain authorization after the student’s withdrawal, the unpaid excess funds need to be offered to the student.

What if an institution cannot locate the student to whom a credit balance is owed?

If a school cannot locate the student or parent to whom a Title IV credit balance must be paid, the funds must be returned to the Title IV programs. ED does not require funds to be returned in a specific order to any of the programs when returning funds from a credit balance due to the inability to locate a student or parent.

(Continued on the next page.)

May an institution hold a credit balance on a student's account?

Occasionally a student will take a leave of absence (LOA). A student taking a LOA must meet certain conditions for the leave to qualify as a temporary interruption in education instead of as a withdrawal. If the student does not meet the required conditions [34 CFR 668.22(d)], then the student will be considered to have withdrawn from school. The school will need to follow the regulations regarding withdrawal in order to make that determination.

In the instance when a student does meet the required conditions for an approved LOA, no Return of Title IV calculation is required. While the student is on an approved LOA, the school may pay any funds that are a part of a credit balance on funds already disbursed. A school may not make a disbursement of a FFELP or FDLP loan while the student is on leave of absence. Upon returning to school the student will continue to earn aid previously awarded.

How long may a school hold a credit balance on a student's account?

The student who is taking a LOA along with any additional leaves of absence must not exceed a total of 180 days within any 12-month period. If the student exceeds the number of days, the student is considered to have withdrawn and regulations covering withdrawals take precedence. The exception to this is for students taking a LOA where the school has a clock-hour or nonterm credit-hour program. In this case the student must return from the LOA at the exact point in the program that they began the LOA.

For more information please see the *2006-07 FSA Handbook*, Volumes 4 and 5, or contact MGA's Customer Services Unit at extension 77009.

Have a question you would like to ask? Contact Justin Draeger at extension 31940 or via email at draegerj@michigan.gov to submit your question or to suggest a topic you would like to see discussed in a subsequent issue of *Educational Loan Notes*.

Calendar of Upcoming Events

July 2006

- 25 Nteract Training
Lansing Community College, West Campus
Lansing, Michigan

September 2006

- 4 MGA Offices Closed

August 2006

- 15 Mapping Your Future Evening Chat
Managing your student loans, including
repayment options, consolidation, and
cancellation.

If you need further information or wish to submit items for the calendar, please contact Jim Peterson, Editor, at extension 36944, or via email at petersonj@michigan.gov.



MICHIGAN
Guaranty Agency

Federal Family Education Loan Program

Estimated Monthly Repayment Schedule

(Based on Standard Repayment Plan)



MICHIGAN
Guaranty Agency

Loan Amount	# of Pmts	Pmt	Finance Charge @ 6.8% Int. Rate*	Pmt	Finance Charge @ 7.0% Int. Rate*	Pmt	Finance Charge @ 7.25% Int. Rate*	Pmt	Finance Charge @ 7.5% Int. Rate*	Pmt	Finance Charge @ 7.75% Int. Rate*	Pmt	Finance Charge @ 8.0% Int. Rate*	Pmt	Finance Charge @ 8.5% Int. Rate*
\$2,625	60	\$50.00	\$499	\$50.00	\$518	\$50.00	\$542	\$50.00	\$566	\$50.00	\$591	\$50.00	\$617	\$50.00	\$669
3,500	84	50.00	971	50.00	1,011	50.00	1,064	50.00	1,117	50.00	1,173	50.00	1,230	50.00	1,351
4,000	99	50.00	1,344	50.00	1,404	50.00	1,482	50.00	1,562	50.00	1,647	50.00	1,735	50.00	1,924
4,500	115	51.78	1,715	52.24	1,770	52.83	1,840	53.41	1,910	54.00	1,981	54.59	2,052	55.79	2,196
5,000	120	57.54	1,905	58.05	1,967	58.70	2,044	59.35	2,122	60.00	2,201	60.66	2,280	61.99	2,439
6,000	120	69.04	2,286	69.66	2,360	70.44	2,453	71.22	2,547	72.00	2,641	72.79	2,736	74.39	2,927
7,000	120	80.55	2,667	81.27	2,753	82.18	2,862	83.09	2,971	84.00	3,081	84.92	3,192	86.78	3,415
8,000	120	92.06	3,048	92.88	3,147	93.92	3,270	94.96	3,396	96.00	3,522	97.06	3,648	99.18	3,903
9,000	120	103.57	3,429	104.49	3,540	105.66	3,679	106.83	3,820	108.00	3,962	109.19	4,104	111.58	4,391
10,000	120	115.08	3,810	116.10	3,934	117.40	4,088	118.70	4,244	120.01	4,401	121.32	4,560	123.98	4,879
12,000	120	138.09	4,572	139.33	4,720	140.88	4,906	142.44	5,093	144.01	5,282	145.59	5,471	148.78	5,854
15,000	120	172.62	5,715	174.16	5,900	176.10	6,132	178.05	6,367	180.01	6,602	181.99	6,839	185.97	7,318
20,000	120	230.16	7,619	232.21	7,866	234.80	8,176	237.40	8,489	240.02	8,803	242.65	9,119	247.97	9,757
23,000	120	264.68	8,762	267.04	9,046	270.02	9,403	273.01	9,762	276.02	10,123	279.05	10,487	285.16	11,221
30,000	120	345.22	11,429	348.32	11,799	352.20	12,265	356.10	12,733	360.03	13,204	363.98	13,678	371.95	14,635
40,000	120	460.32	15,239	464.43	15,732	469.60	16,353	474.80	16,977	480.04	17,605	485.31	18,237	495.94	19,513
46,000	120	529.36	17,525	534.79	18,092	540.04	18,806	546.02	19,524	552.04	20,246	558.10	20,973	570.33	22,440
50,000	120	575.40	19,048	580.54	19,665	587.00	20,441	593.50	21,222	600.05	22,007	606.63	22,797	619.92	24,392
55,000	120	632.94	20,953	638.59	21,632	645.70	22,485	652.85	23,344	660.05	24,208	667.30	25,076	681.92	26,831
60,000	120	690.48	22,858	696.65	23,598	704.40	24,529	712.21	25,465	720.06	26,408	727.96	27,356	743.91	29,270
65,500	120	753.77	24,953	760.51	25,761	768.97	26,777	777.49	27,800	786.06	28,829	794.69	29,864	812.10	31,953

*Figures in this column indicate approximate **total** interest amount you will pay over the life of your loan.

NOTE: Minimum monthly payment is \$50. Borrowers with variable interest rates should contact their lenders to determine current rates and/or monthly payment amounts.

www.mgalan.com

Examples of Debt Levels, Beginning Monthly Payments, and Total Amounts Repaid for All FFELP and FDLP Repayment Plans ¹														
Initial Debt When Loan Enters Repayment	Standard FFELP and FDLP		Graduated* FFELP 120-Month Repayment		Graduated* FDLP 144-Month Repayment		Income-Sensitive FFELP		Income-Contingent FDLP Income - \$25,000 ²				Extended FDLP	
	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total	Single		Married/HOH ³		Per Month	Total
									Per Month	Total	Per Month	Total		
\$2,500	\$50.00	\$2,948	\$30.00	\$3,174	\$25.00	\$3,676	Contact your lender for more information. Payments are based on a percentage of your gross annual income. Payments can be adjusted annually. Loan must be repaid within 120 months.		\$19.30	\$4,294	\$18.31	\$4,506	\$50.00	\$2,948
5,000	57.54	6,905	33.22	6,473	31.23	7,934			38.60	8,588	36.62	9,012	50.89	7,328
7,500	86.31	10,357	49.84	9,709	44.79	11,977			57.90	12,882	54.93	13,518	76.33	10,992
10,000	115.08	13,810	66.45	12,945	59.73	15,968			77.21	17,176	73.24	18,023	88.77	15,979
15,000	172.62	20,715	99.67	19,418	89.58	23,954			115.81	25,764	109.86	27,035	132.15	23,967
20,000	230.16	27,619	132.90	25,891	119.45	31,937			154.41	34,351	146.48	36,047	152.67	36,641
25,000	287.70	34,524	166.12	32,363	149.32	39,921			193.01	42,939	183.10	45,059	190.83	45,799
30,000	345.24	41,429	199.35	38,836	179.19	47,904			231.62	51,527	202.83	54,683	229.00	54,960
40,000	460.32	55,239	265.80	51,781	238.91	63,873			257.17	71,797	202.83	82,116	277.63	83,289
50,000	575.40	69,048	332.25	64,727	298.64	79,841			257.17	101,784	202.83	113,805	347.04	104,122
75,000	863.10	103,572	498.37	97,090	447.97	119,761			257.17	155,254	202.83	139,025	488.94	176,018
100,000	1150.80	138,096	664.50	129,454	597.30	159,680			257.17	168,284	202.83	145,072	651.93	234,695
¹ Payments are calculated using the current repayment interest rate for student borrowers, 6.8 percent. ² Assumes a 5 percent annual income growth (Source: Census Bureau). ³ HOH is Head of Household. Assumes a family size of two.								[*] Under Graduated repayment the monthly payment amount will increase every two years throughout the repayment schedule.						

REPAYMENT PLANS for the Federal Family Education Loan Program (FFELP) and Federal Direct Loan Program (FDLP).

Standard (FFELP and FDLP)—This plan provides for a fixed monthly payment of at least \$50 for up to ten years. Well suited for borrowers with loan balances of \$10,000 or less or for borrowers with higher loan balances and sufficient income to make monthly payments. Minimizes total interest charges, offers a stable payment scheduled, and secures a faster payoff.

Graduated (FFELP and FDLP)—Appealing to borrowers with at least \$10,000 in loans, those who have other financial obligations requiring attention, or whose incomes start low but increase steadily. Lower initial payments with a predictable schedule, but the borrower will pay higher interest costs than under the Standard repayment plan.

Income-Sensitive (FFELP)—Attractive to borrowers with loan balances of \$10,000 or more, those at risk of defaulting, or those anticipating initially low incomes that are expected to increase as time passes. Repayment terms can be adjusted annually to adapt to income changes, but by reducing early payments and extending the repayment period, long-term interest cost will increase.

Income-Contingent (FDLP)—Attractive to borrowers with loan balances of \$10,000 or more, those at risk of defaulting, or those anticipating initially low incomes that are expected to increase as time passes. Payments rise and fall with income changes, but borrowers with low or modest incomes and large loan balances may experience a major negative amortization and incur extensive interest expenses.

Extended (FFELP)—Available to first time-borrowers on or after October 7, 1998. Loans must total \$30,000 or more. Loan repayment has a fixed or graduated repayment amount paid over an extended period of time, with a maximum of 25 years.

Extended (FDLP)—Appropriate for borrowers with loan balances of \$10,000 or more or for borrowers who are facing monetary difficulties and want to reduce their monthly payments. Reduces monthly payments, providing long-term budget relief, although long-term interest costs will rise substantially.

Consolidation (FFELP and FDLP)—Appealing to borrowers with large education debts because it offers the flexibility to combine multiple educational loans into a single loan.



MICHIGAN
Guaranty Agency

GRADUATE/PROFESSIONAL STAFFORD LOAN

ESTIMATED MONTHLY REPAYMENT

FEDERAL FAMILY EDUCATION LOAN PROGRAM



MICHIGAN
Guaranty Agency

Loan Amount	# of Pmts	Pmt	Finance Charge @ 6.8% Int. Rate*	Pmt	Finance Charge @ 7.0% Int. Rate*	Pmt	Finance Charge @ 7.25% Int. Rate*	Pmt	Finance Charge @ 7.5% Int. Rate*	Pmt	Finance Charge @ 7.75% Int. Rate*	Pmt	Finance Charge @ 8.0% Int. Rate*	Pmt	Finance Charge @ 8.5% Int. Rate*
\$10,000	120	\$115.08	\$3,810	\$116.10	\$3,934	\$117.40	\$4,088	\$118.70	\$4,244	\$120.01	\$4,401	\$121.32	\$4,560	\$123.98	\$4,879
20,000	120	230.16	7,619	232.21	7,866	234.80	8,176	237.40	8,489	240.02	8,803	242.65	9,119	247.97	9,757
23,000	120	264.68	8,762	267.04	9,046	270.02	9,403	273.01	9,762	276.02	10,123	279.05	10,487	285.16	11,221
30,000	120	345.22	11,429	348.32	11,799	352.20	12,265	356.10	12,733	360.03	13,204	363.98	13,678	371.95	14,635
40,000	120	460.32	15,239	464.43	15,732	469.60	16,353	474.80	16,977	480.04	17,605	485.31	18,237	495.94	19,513
46,000	120	529.36	17,525	534.79	18,092	540.04	18,806	546.02	19,524	552.04	20,246	558.10	20,973	570.33	22,440
50,000	120	575.40	19,048	580.54	19,665	587.00	20,441	593.50	21,222	600.05	22,007	606.63	22,797	619.92	24,392
60,000	120	690.48	22,858	696.65	23,598	704.40	24,529	712.21	25,465	720.06	26,408	727.96	27,356	743.91	29,270
65,500	120	753.77	24,953	760.51	25,761	768.97	26,777	777.49	27,800	786.06	28,829	794.69	29,864	812.10	31,953
70,000	120	805.56	26,668	812.76	27,531	821.81	28,617	830.91	29,710	840.07	30,809	849.29	31,915	867.90	34,148
80,000	120	920.64	30,477	928.87	31,464	939.21	32,705	949.61	33,954	960.09	35,210	970.62	36,475	991.89	39,026
90,000	120	1,035.72	34,287	1,044.98	35,397	1,056.61	36,793	1,068.32	38,198	1,080.10	39,611	1,091.95	41,034	1,115.87	43,905
100,000	120	1,150.80	38,097	1,161.08	39,330	1,174.01	40,881	1,187.02	42,442	1,200.11	44,013	1,213.28	45,593	1,239.86	48,783
110,000	120	1,265.88	41,906	1,277.19	43,263	1,291.41	44,969	1,305.72	46,686	1,320.12	48,414	1,334.60	50,153	1,363.84	53,661
120,000	120	1,380.96	45,716	1,393.30	47,196	1,408.81	49,058	1,424.42	50,931	1,440.13	52,815	1,455.93	54,712	1,487.83	58,539
130,000	120	1,496.04	49,526	1,509.41	51,129	1,526.21	53,146	1,543.12	55,175	1,560.14	57,216	1,557.26	59,271	1,611.81	63,418
138,500	120	1,593.86	52,764	1,608.10	54,472	1,626.00	56,621	1,644.02	58,782	1,662.15	60,958	1,680.39	63,146	1,717.20	67,564

*Figures in this column indicate approximate **total** interest amount you will pay over the life of your **loan**. Annual variable interest rates are capped at 8.25%.

NOTE: Borrowers with variable interest rates should contact their lenders to determine current rates and/or monthly payment amounts.



ESTIMATED MONTHLY IN-SCHOOL INTEREST PAYMENT



Students who choose to pay interest on their loans while in school can save on total interest paid and also realize lower monthly payments after they leave school.

(Formula used: $(\text{Principal} \times \text{Interest}) / 12 \text{ months}$)

PRINCIPAL	6%	6.25%	6.50%	6.80%	7%	7.25%	7.50%	7.75%	8%	8.25%	8.50%
\$2,625	13.13	13.67	14.22	14.88	15.31	15.86	16.41	16.95	17.50	18.05	18.59
3,500	17.50	18.23	18.96	19.83	20.42	21.15	21.88	22.60	23.33	24.06	24.79
4,000	20.00	20.83	21.67	22.67	23.33	24.17	25.00	25.83	26.67	27.50	28.33
4,500	22.50	23.44	24.38	25.50	26.25	27.19	28.13	29.06	30.00	30.94	31.88
5,000	25.00	26.04	27.08	28.33	29.17	30.21	31.25	32.29	33.33	34.38	35.42
6,000	30.00	31.25	32.50	34.00	35.00	36.25	37.50	38.75	40.00	41.25	42.50
7,000	35.00	36.46	37.92	39.67	40.83	42.29	43.75	45.21	46.67	48.13	49.58
8,000	40.00	41.67	43.33	45.33	46.67	48.33	50.00	51.67	53.33	55.00	56.67
9,000	45.00	46.88	48.75	51.00	52.50	54.38	56.25	58.13	60.00	61.88	63.75
10,000	50.00	52.08	54.17	56.67	58.33	60.42	62.50	64.58	66.67	68.75	70.83
12,000	60.00	62.50	65.00	68.00	70.00	72.50	75.00	77.50	80.00	82.50	85.00
15,000	75.00	78.13	81.25	85.00	87.50	90.63	93.75	96.88	100.00	103.13	106.25
20,000	100.00	104.17	108.33	113.33	116.67	120.83	125.00	129.17	133.33	137.50	141.67
23,000	115.00	119.80	124.58	130.33	134.17	138.96	143.75	148.54	153.33	158.13	162.92
30,000	150.00	156.25	162.50	170.00	175.00	181.25	187.50	193.75	200.00	206.25	212.50
40,000	200.00	208.33	216.66	226.66	233.33	241.66	250.00	258.33	266.66	275.00	283.33
46,000	230.00	239.58	249.17	260.66	268.33	277.92	287.50	297.08	306.66	316.25	325.83
50,000	250.00	260.40	270.83	283.33	291.66	302.13	312.50	322.92	333.33	343.75	354.17
55,000	275.00	286.45	297.92	311.66	320.83	332.29	343.75	355.21	366.66	378.13	389.58
65,500	327.50	341.15	354.79	371.16	382.08	395.73	409.37	423.02	436.66	450.31	463.95

NOTE: Most lenders/servicers mail statements on a quarterly basis, but the interest may be paid monthly with arrangements made through the lender/servicer.

EXAMPLE 1 - Carol borrows \$18,000 total during her four years in school and pays monthly interest payments while in school.

Monthly interest payment based on	1st Year--1st Loan	\$ 26.67 based on \$4,000 borrowed
8% capitalized once at repayment:	2nd Year--2nd Loan	\$ 52.57 based on an additional \$4,000 borrowed
	3rd Year--3rd Loan	\$ 85.42 based on an additional \$5,000 borrowed
	4th Year--4th Loan	\$118.28 based on an additional \$5,000 borrowed

Total interest paid over four years during school = \$3,140.86

Repayment

Monthly payment (principal and interest) based on a ten-year payback = **\$218.39**

Monthly payment if interest had not been paid during school = \$256.50

Total amount paid for the loan = **\$29,347.66**

Total amount of loan if interest had not been paid during school = \$30,780.00

Carol would save \$1,432.34 in interest over ten years by making interest payments during school.

EXAMPLE 2 - John borrows \$9,000 total during his four years in school and pays monthly interest payments while in school.

Monthly interest payment based on	1st Year--1st Loan	\$ 6.67 based on \$1,000 borrowed
8% capitalized once at repayment:	2nd Year--2nd Loan	\$ 19.71 based on an additional \$2,000 borrowed
	3rd Year--3rd Loan	\$ 39.43 based on an additional \$3,000 borrowed
	4th Year--4th Loan	\$ 59.14 based on an additional \$3,000 borrowed

Total interest paid over four years during school = \$1,370.46

Repayment

Monthly payment (principal and interest) based on a ten-year payback = **\$109.19**

Monthly payment if interest had not been paid during school = \$125.82

Total amount paid for the loan = **\$14,473.26**

Total amount of loan if interest had not been paid during school = \$15,098.40

John would save \$625.14 in interest over ten years by making interest payments during school.

BENEFITS OF PAYING INTEREST WHILE IN SCHOOL

★ Monthly payments are lower during repayment ★

★ Total interest paid is less ★

Federal Family Education Loan Program
Variable Rate PLUS and SLS Loan Interest Rates
July 1, 2006, through June 30, 2007
Table 4

INTEREST RATE FORMULA (T-BILL RATE + ADDITIONAL SUM = INTEREST RATE)							
Type of Loan	First Disbursement Made On or After	First Disbursement Made Before	91-Day Treasury Bill Rate	One-year Constant Maturity	Additional Sum	Cap	Interest Rate for the Period of 7/01/06 - 6/30/07
PLUS/SLS*	N/A	10/01/92		5.24%	3.25%	12%	8.49
PLUS*	10/01/92	7/01/94		5.24%	3.1%	10%	8.34
SLS	10/01/92	7/01/94		5.24%	3.1%	11%	8.34
PLUS	7/01/94	7/01/98		5.24%	3.1%	9%	8.34
PLUS*	7/01/98	7/01/00	4.84%		3.1%	9%	7.94%
PLUS	1/01/00	7/0/06	4.84%		3.1%	9%	7.94%

*These loans will not be subject to special allowance payments during the four quarters ending 9/30/06, 12/31/06, 3/31/07, and 6/30/07.

**91-DAY TREASURY BILL
SPECIAL ALLOWANCE RATES
FOR
QUARTER ENDING JUNE 30, 2006**

	Loan Rate	Special Allowance Annual Rate	SA Quarterly Rate	Special Allowance Category
SA	7% 9%	.01375 0	.003438 0	<u>SA</u> - loans made before 10/01/81.
SB	7% 8% 9%	.0133 .0033 0	.003325 .000825	<u>SB</u> - Stafford (subsidized) and PLUS loans made on/after 10/01/81 but before 10/17/86 or loans made on/after 10/17/86 but before 11/16/86 for enrollment periods beginning before 11/16/86.
SD	6.10%* (FVAR7, FVAR8, FVAR9, FVARX & EVAR) 6.25%** (FVAR10) 7% 8% 9% PLUS/SLS Var (5.41%)	.0198 .0183 .0108 .0008 0 0	.004950 .004575 .002700 .000200 0 0	<u>SD</u> - Stafford (subsidized) and PLUS/SLS loans made on/after 10/17/86 but prior to 11/16/86 for enrollment periods beginning on/after 11/16/86. Stafford (subsidized) and PLUS/SLS loans made on/after 11/16/86 but before 10/01/92. Also for Stafford (unsubsidized) loans made prior to 10/01/92 for periods of enrollment beginning on/after 10/01/92. * Fixed rate 7% Stafford loans, fixed rate 8% Stafford loans and 8/10% Stafford loans (prior to 49 th month of repayment), fixed rate 9% Stafford loans and 8/10% Stafford loans (on/after 49 th month of repayment (1992 Amendments). ** Fixed rate 8/10% Stafford loans (on/after 49 th month of repayment (1992 amendments).
SE	6.10% *(FVAR7, FVAR8, FVAR9, FVAR10 & EVAR) 7% PLUS/SLS Var (6.50%)	.0183 .0093 .0143	.004575 .002325 .003575	<u>SE</u> - Stafford loans made on/after 10/01/92 but prior to 07/01/94, regardless of the enrollment period, or loans made after 07/01/94 for an enrollment period ending prior to 07/01/94. Also for PLUS loans made on/after 10/01/92 but before 07/01/94. Also for SLS loans made on/after 10/01/92 but before 07/01/94; or <i>certified</i> before 07/01/94 and <i>disbursed</i> after 07/01/94. Fixed rate 7% Stafford loans (1992 Amendments).
SG	Stafford Var (6.10%) PLUS Var (6.50%)	.0183 .0143	.004575 .003575	<u>SG</u> - Stafford loans made on/after 07/01/94 but before 07/01/95, or loans made on/after 07/01/95 but before 07/01/98, during periods of repayment or forbearance. Also for PLUS loans made on/after 07/01/94 but before 07/01/98.
SH	Stafford Var (5.50%) PLUS Var (5.26%)	.0183 0	.004575 0	<u>SH</u> - Stafford loans made on/after 07/01/95 but before 07/01/98 <i>only</i> during in-school, grace, and deferment periods. Also for PLUS loans made on/after 07/01/98 but prior to 01/01/00.
SJ	Stafford Var (4.70%) Stafford Var (5.30)*	.0233	.005825	<u>SJ</u> - Stafford loans made on/after 07/01/98 but prior to 01/01/00 <i>only</i> during in-school, grace, and deferment periods. *All other periods.
SK	Stafford Var (5.30%)	.0233	.005825	<u>SK</u> - Stafford loans made on/after 07/01/98 but prior to 01/01/00 <i>only</i> during repayment and forbearance periods.

PLEASE NOTE: The 91-day T-bill average (bond equivalent rate) is **4.83%** for the **second quarter** of **2006**. This results in the following yields:

SA 4.83% plus 3.50% = 8.33%	SG 4.83% plus 3.10% = 7.93%
SB 4.83% plus 3.50% = 8.33%	SH 4.83% plus 2.50% = 7.33%
SD 4.83% plus 3.25% = 8.08%	SJ 4.83% plus 2.20% = 7.03%
SE 4.83% plus 3.10% = 7.93%	SK 4.83% plus 2.80% = 7.63%

**THREE-MONTH COMMERCIAL PAPER
SPECIAL ALLOWANCE RATES
FOR
QUARTER ENDING JUNE 30, 2006**

	Loan Rate	Special Allowance Annual Rate	SA Quarterly Rate	Part IV: Special Allowance Category Column C
CA	Stafford Var (4.70%)	.0226	.005650	<u>CA</u> - Subsidized/unsubsidized Stafford loans made on/after 01/01/00 but prior to 07/01/06, only during the in-school, grace, and deferment periods.
CB	Stafford Var (5.30%)	.0226	.005650	<u>CB</u> - Subsidized/unsubsidized Stafford loans made on/after 01/01/00 but prior to 07/01/06, during the repayment and forbearance periods only .
CD	PLUS Var (6.10%)	.0176	.004400	<u>CD</u> - PLUS loans made on/after 01/01/00 but prior to 07/01/06.
CE	Stafford Var (4.70%)	.0226	.005650	<u>CE</u> - Subsidized/unsubsidized Stafford loans made on/after 04/01/06 only during in-school, grace, and deferment periods and which are subject to the repayment of excess interest as required under the HERA.
CF	Stafford Var (5.30%)	.0226	.005650	<u>CB</u> - Subsidized/unsubsidized Stafford loans made on/after 04/01/06 during the repayment and forbearance periods only and which are subject to the repayment of excess interest as required under the HERA.
CH	PLUS Var (6.10%)	.0176	.004400	<u>CD</u> - PLUS loans made on/after 04/01/06 and which are subject to the repayment of excess interest as required under the HERA.

PLEASE NOTE: The three-month Commercial Paper average (financial) is **5.22%** for the **second quarter** of **2006**. This results in the following yields:

CA, CE 5.22% plus 1.74% = 6.96%
CB, CF 5.22% plus 2.34% = 7.56%
CD, CH 5.22% plus 2.64% = 7.86%